

IMPROVING EXPORT STRATEGIES TO EU (CASE OF SERBIA)

Jovan Pervaz, Dusko Petrovic, Mladen Pecujlija & Ilija Cosic



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Abstract

The scope of this paper is to find the critical problems that Serbian goods exporters face and to present results to public bodies that could develop successful export programmes, build and promote industry support. Important contribution of this research is that majority of studies have been conducted in developed countries (e.g. USA, Canada and Western Europe) with very little attention given to developing countries. These findings may not be transferable to countries with lower levels of economic development as exporters from low developed nation face, especially barriers to export in the context of an emerging country Serbia, different challenges.

Keywords: export; barriers to export; Serbia; improving strategies; performance; export marketing strategy

1. Introduction

For Western Balkan countries export represents an important source for further growth, regional integration with European perspective. Western Balkans countries are currently on the pathway to future EU integration, adoption and implementation of the *acquis communautaire*, the set of EU rules and regulations. The improved market access instruments (elimination of all non-tariff barriers, rules of origin) aims to enable better conditions for trade and investment and prepares the countries for joining the European Union Single Market and faster economic growth. As outlined by Handjiski et al (2010) [14] greater trade integration prior to becoming part of the EU has multiple benefits as countries need to align to the EU *acquis* in trade-related areas, firms better able to cope with the competitive pressures within the EU, and national administrations to build up capacity in regional cooperation. Western Balkan exporters are currently concentrated on the markets of the EU and countries of ex-Yugoslavia (CEFTA countries) that receive the largest part of region exports. Their exports have increased since 2003 following the process of transition towards a functional market economy. However, commodities continue to dominate, trade remains concentrated and intra-industry trade is below potential. The implementation of economic reforms and gradual free trade of industrial products with European Union have still not been enough for deeper forms of integration. Dynamic productivity gains, arising from greater import competition, gaining comparative advantage in export markets, knowledge spillovers and greater foreign investment, are a key factor in seeing benefits under the regional trade agreements and future trade liberalization. The current global financial and economic crisis has not bypassed Republic of Serbia who has received have EU candidate country status in March 2012.

Major outflow of capital, increase of interest rates, depreciation of exchange rate and downfall of the market prices of stocks as the consequences of the financial crisis have been registered firstly in the financial sector. The abovementioned has spread onwards to the economic activity followed by the decline of industrial production, slow-down of the entire economy and consequently by decline of budget revenue. Serbian export economy is highly concentrated in developed markets, with primary products, and very few internationalized companies. Presently, Serbian exporters are concentrated on the markets of European Union (over 50% of the total exports to Italy, Germany and Slovenia), and CEFTA countries (90% of the total exports to Bosnia and Hercegovina, Montenegro, and Macedonia). The scope of this paper is to find the critical problems that Serbian goods exporters face and to present results to public bodies that could develop successful export programmes, build and promote industry support. [52] Important contribution of this research is that majority of studies have been conducted in developed countries (e.g. USA, Canada and Western Europe) with very little attention given to developing countries (Julian, 2003). [15] These findings may not be transferable to countries with lower levels of economic development as exporters from low developed nation face, especially barriers to export in the context of an emerging country Serbia, different challenges.

2. Literature review and research questions

A study by Gorodnichenko, Svejnar, and Terrell (2009) [13] on the transition economies confirms that exporting and importing induces innovation, which in turns improves productivity and competitiveness. It should be regarded as the extension of the "four freedoms" of the Single Market to the South (the movement of goods, services, capital and labour) with a targeted removal of tariff and non-tariff barriers through trade liberalization, domestic reforms, and partial regulatory convergence (Müller-Jentsch, 2005) . [37] In times of economic boom as well as in a crisis international trade is an important driver behind the global economy. Between 1950 and 2000, world trade increased 16-fold, and international trade flows relative to GDP doubled between 1970 and 2000 (OECD, 2005) [38]. Nowadays, the global trade was impacted by events in the financial markets and consequently trade flows were rapidly and substantially affected. The interdependence, the globalization of production, the increased regionalism together with major advances in information, communication and transportation technologies have played a vital role on reshaping the international trade framework (Czinkota, Ronkainen, Farrell, and McTavish 2009) [9]. Customers and companies are now closer than ever before have been brought closer and interconnected, as a result of globalisation, while national companies have better opportunities to internationalize (Czinkota, Ronkainen, Farrell, and McTavish 2009; [9] Leonidou 2004 [31]). Andersen and Buvik (2000) [1] argue that that internationalization can be perceived as a part of the ongoing strategy process of most business firms. The study on exporters performance clearly points out that they outperform non-exporters in the same sector and country in terms of skills, wages, productivity, technology and capital intensity (Bernard and Jensen, 1995) . [2] The knowledge they gain from exporting and from interaction with international buyers and competitors renders them more productive (Wagner 2007) [52]. exports have become a major source of national income for many economies around the world. They have been outlined as engine of growth aimed at improving national companies' performances in export markets (Zou, Taylor and Osland, 1998). [54] Governments have been focusing their efforts on enabling export success of the national companies, as one of their highest policy priorities. Exporting is crucial to national economy as it creates new jobs, raises standards of living, provides a source of foreign exchange, favors know-how and the development of new technologies (Leonidou 2007). [32] Many conceptual and empirical studies have been conducted on exporting in general. In light of numerous studies, the existence of many barriers to exporting has also been a subject of research of many eminent scholars. There is a consensus that an understanding of the barriers to export and their impact on export activity is of crucial importance at both a macro-economic and a microeconomic level (Katsikeas and Morgan, 1993; [18] Leonidou, 1995). [27] It has been argued also that the inhibiting impact of the barriers is greater among smaller firms (Katsikeas and Morgan 1994) [21] as small and medium companies perceive greater export obstacles. The importance of export marketing strategy with the internationalization of the world economy has become more evident in determining the export performance of the firm (e.g. Aaby and Slater 1989 [1]; Cavusgil and Zou 1994 [5]). Many researchers have analyzed the export marketing behavior of firms (Aaby and Slater, 1989 [1]; Leonidou, 1998 [29]; Leonidou and Katsikeas, 1996 [28]). They have devoted particular attention to the determinants of export performance, objective and subjective measurements of export performance and its' measurement models. A plethora of literature on research on export activities points out to the relevance of exports. Exports are identified to have a direct impact on the accumulation of foreign exchange reserves, result in increased employment levels, improved productivity and enhanced prosperity (Czinkota, 1994 [8]).

2.1 Export Barriers

Extensive research has been conducted to identify and rank barriers to export in different countries. Despite a substantial amount of literature with a critical review of the export barriers over the past decades, most theoretical underpinnings are based heavily upon research conducted in developed nations (Tesform and Lutz, 2006 [50]). The barriers most frequently cited in the literature include (Leonidou 1995 ; [26] Shoham & Albaum, 1995; [46] Leonidou, 2004 [30]): identifying potential markets, learning the mechanics of export (procedural aspects including documentation, logistics and legal issues), communications, fierce international competition, providing adequate customer service, difficulty in matching competitors' prices, excessive transportation/insurance costs, different foreign customer habits, and poor and deteriorating economic conditions abroad and political instability in foreign markets.

Tesfom and Lutz (2006) [50] in their research article derived a classification of export problems of SMEs from developing countries with a classification of problems into internal and external barriers, with the internal barriers including company barriers and product barriers and external export barriers being the industry barriers, export market barriers and macro environment barriers. The analysis performed by Kastikeas, Piercy, and Ionnidis (1995) [19] pointed out to the country-specific problems (interpreted as barriers) of Greek exporters such as poor quality in export packaging, meeting importer's expectations of quality and design, poor organization of the export department, lack of available experts as consultants, ineffective national export promotion, red tape in Greek public institutions, and currency devaluations. Turkish exporters have identified main export barriers related to excessive export bureaucracy, difficulties competing with high-tech products, outdated manufacturing plants with limited capacity, inability to compete due to high costs, insufficient product quality, expensive imports needed for production (Karafakioglu, 1986 [17]). Leonidou (1994) [33] identified that the major country-specific barriers for Cyprus exporters were inability to offer competitive prices, lack of government incentives, lack of production capacity, and lack of competent export personnel. A recent study of exporting barriers from Portuguese SMEs and small- and medium-sized exporters and non-exporters revealed that „nonexporters consider the lack of knowledge of potential markets, lack of qualified export personnel, lack of technical suitability, degree of competition in the sector, lack of financial assistance (governmental and financial institutions), and lack of qualified human resources as the main export barriers“ while the exporters „perceived warehousing and control of the physical product flow in the target market to be the biggest barrier“ (Pinho and Martins, 2010) [39]. Examination of export constraints of Indian exports suggest that „the exporters face constraints classified into financial (availability and cost of finance), marketing (export marketing, export packaging and creativity), technological (related to access and quality management) and inputs (availability of skilled labour and raw materials)“ (Khara and Dogra, 2009) [22]. A survey of British firms finds that the most common export impediments are associated with identifying the initial contact and the marketing costs involved in doing business overseas followed by other relevant barriers as the difficulties in establishing initial dialogue with prospective customers or business partners and building relationships with key influencers. Language barriers, obtaining basic information about foreign markets, and dealing with legal, financial and tax regulation overseas are not so common while they are decreasing with the number of years of export market practice (Kneller and Pisu, 2007) [24].

2.2 Performance

Since the 1960s determinants of export performance have been attracting attention from international scholars as one of the most investigated issues in international marketing. Many theoretical frameworks of export performance have been formulated in the past period by Zou & Stan (1998) [54], Leonidou, Katsikeas & Piercy (1998) [28], Katsikeas et al. (2000) [20]. Leonidou et al (2002) [30], Shosham (2002) [47], Sousa (2004) [49], Ruppenthal and Bausch (2009). [40] Katsikeas, Leonidou, and Morgan (2000) [20] have analyzed more than 100 empirical studies on export performance with different conclusion caused by differences in methodology, context, external environmental factors, and statistical analysis. Shoham (1998) [47] identified 29 measures of export performance, while Sousa (2004) [49] reviewed 43 empirical studies and noted 50 different operational aspects of export performance.

According to Salomon (2006) [42] there has been no systematic research to examine the impact of multiple variables that are influencing the export performance of a company. The ongoing research in export marketing literature is still investigating an accepted model on export performance. However, in their qualitatively review of existing research of 91 studies Ruppenthal and Bausch (2009) [40] conclude that the company, industry and institutional and/or market factors are major causes for variations in export performance. Mariotti and Piscitello (2009) [35] reveal that that firms' export performance depends on their international experience and network structure. By comparative analysis of samples from Germany, Finland, Japan, South Africa and South Korea, Dichtl et al (1990) [11] identified that export market orientation of decision makers is an important determinant of export performance. A sizeable number of studies have used a countless number of independent variables to assess export performance. The model of Abby and Slater (1989) is still the most cited model in international literature. Aaby and Slater (1989) [1]; Leonidou, et al., (1998) [16] and Zou and Stan (1998) [53] grouped the explanatory variables as external (industry, domestic and foreign market characteristics) and internal (managerial and firm characteristics). On the other hand, export performance of firms has been measured by different indicators, such as sales, market growth, market share, profitability, return on investment, perceived satisfaction and fulfillment of export goals (Julian, 2003) [16].

2.3 Export marketing strategy

Review of the export marketing literature suggests the importance of strategy on export success (Kleinschmidt and Cooper, 1984 [23]; Morgan et al., 2004 [36]). Targeting and marketing strategy of the firm have been identified to have a direct influence on export performance as an intervening variables (Katsikeas et al, 2000 [20]). Export marketing strategy represents the means by which a firm responds to the interplay of internal and external forces to meet the objectives of the export venture (Cavusgil and Zou, 1994 [4]). Export strategy is the prevailing theme of research of strategy characteristics with proven strong positive influence on export performance (e.g. Spence, 2003 [43]; Yeoh, 2004 [53] Salomon and Shaver, 2005 [41]; Katsikea et al., 2007 [21]). An analysis of 41 Greek exporters to South-East Europe, seen as a psychologically close market, tries to conceptualize various internal, external and strategic factors explaining the motivation and the marketing strategy of Greek exporting firms based on a strategic management model.

Still, the level of management commitment proves to be one of the most important factors determining the firm's export success (Cavusgil and Kirpalani, 1993; [3] Zou and Cavusgil 1996, [54] Madsen, 1989). [34] Active exporting, defined by active strategic planning of the export activity, is intimately related to export success. In a recent study by Leonidou et al (2011) [33] using a sample of 218 British export manufacturers reveals that the use of export-promotion programs enhance managerial perceptions, knowledge, and commitment, which stimulate effective design of an export marketing strategy and/or improve the firm's competitive advantage in international markets. [25]

3. Research

The framework has been tested via a survey of 49 exporting firms managers. The results are then presented and their implications for theory are discussed. We conclude with the implications of these results for public policy making and managerial practice, and finally consider the limitations of the research and fruitful directions for future research. Our motivation for the study stems from our desire to contribute to the Serbian export industry in the framework of raising the importance of exports to the Serbian economy having in mind the limited research that has been conducted on identifying the country-specific factors that inhibit the success of Serbia's export firms. This paper research question is to identify the principal export barriers or problems as limiting factors or obstacles to export for better understanding the determinants of export performance. The overall aim of the paper is to address this managerial issue in the field of international marketing as a premise of strengthening trade partnership with EU and broadening investment opportunities, as well as to deepen the economic integration of Serbian exporters on the Single market, on the path towards European Union (EU) membership. Western Balkan countries large current account deficit reflects very low exports rather than high imports. In many cases they have still not diversified its exports away from agriculture and a few low-processed manufacturing goods nor have its' producers managed sufficiently to integrate into European and regional clusters of production and distribution. The region is faced with the financial crisis and the main branches affected in various countries in the Balkans were the same as in other parts of the world (construction, the automobile industry, textile fabrics, tourism and others). The asymmetrical liberalization of trade towards EU has not helped in strengthening the Western Balkan position on the EU market. [45], [51].

3.1 Research hypothesis

Barriers to export are defined as the obstacles, problems, or impediments that firms encounter while exporting or preparing to export (Leonidou, 1995). [31] Knowledge and the perception of export barriers clearly matters, since it is believed to be strongly linked to the initiation of export activity and long-term continuity (da Silva & da Rocha, 2000). [10] Export barriers have been classified as *internal*, related to organizational resources, capabilities and company approach to export business, and *external*, coming from the host environment within which the firm operates. The internal barriers can be grouped into functional, informational and marketing, while external barriers into procedural, governmental, task and environmental differences (Leonidou, 2004) [31] Abey and Slater (1989) [1], Zou and Stan (1998) [54] found management perception in relation to supposed export barriers as an integral part of future export success. Perception of export barriers differ depending on managerial, organizational and environment aspects of the firm (Leonidou, 2004) [31]. Psychological studies show that the will and strong motivation/desire to export and step on the international scene is a crucial ingredient of success, particularly in the start-up phase. Eaton et al. (2007) [12] suggest that new exporters and their buyers undergo a period of learning about one another before concluding significantly large amounting exporting contracts. The underlying assumption is that existence of barriers prompts firms to develop certain internal competencies, strategies, and characteristics to increase their competitive position in international markets. Therefore, we stated following research hypothesis: *H1: Identification of export problems is related to export performance*. According to Cavusgil (1983) [2] export marketing strategy is a construct consisting of four components that make export marketing mix (basic company offering, contractual link with foreign distributors/agents, export promotion and pricing considerations). Cavusgil & Zou (1994) [5] propose a conceptual framework of export marketing strategy and performance. The latter studies also confirm that the export marketing strategy has a direct effect on export performance (Leonidou, Katsikeas, and Samiee, 2002) [30]. Some authors define export performance as the extent to which a firm's export objectives are achieved through planning and execution of export marketing strategy, as well as the means by which a firm responds to market forces to meet its objectives. The export performance is determined by export marketing strategies and managements' capability to implement the strategies as a whole (Aaby and Slater, 1989; [1] Chetty and Hamilton, 1993 [6]; Cooper and Kleinschmidt, 1985; [7] Cavusgil and Zou, 1994) . [5] We stated this research hypothesis: *H2: Firm's export strategy is related to export performance*

3.2 Data collection

Firstly, a review of the relevant literature was made. Second, the list of questionnaire items was further developed with the co-operation of two professionals, one high position business official from the Serbian Agency for Export Credit Insurance and one academician familiar with research on export marketing. Based on the opinion of the industry experts, and a review of the relevant literature, a two-page survey questionnaire was constructed. The majority of export barriers in the existent questionnaire were adapted according to identified exporters' problems in Greece by Katsikeas et al (1995). [19]

Finally, the research instrument was pretested through personal interviews with various export executives ensuring that the questions were relevant and phrased in a meaningful manner. In the data collection process, particular attention was given to the identification and selection of the most appropriate executive in each responding firm to answer the survey. This survey was sent by e-mail and post to senior executives to more than 70 exporting firms in Serbia resulting in a reduced sampling frame of 49 firms. Key informants were found to be in executive positions, export managers in larger firms and managing directors or owners in smaller firms. SMEs in Serbia are concentrated in the business service sector, followed by trade, transport, tourism, construction and manufacturing, with a significant role in accelerating the process of economic growth and development. In the year 2010 the total number of registered SMEs in Serbia was 83,122, of the total number of all enterprises in Serbia (83,631). In the same period, there were registered 509 large enterprises (Serbia's National Statistical Office, 2011). The majority of firms that have answered the questionnaire were clients of Development Bank of Vojvodina in Novi Sad and Serbian ECA (AOFL, Belgrade) classified as SMEs with up to 50 employees, turnover less than EUR 2,5 m and balance sheet total less than EUR 1 million. The number of usable returned surveys was 49 giving us an effective response rate of 70%. The majority of respondents were male managers. [48]

3.3 Research instrument

For the purpose of this study 29 items were selected for ad hoc survey describing export barriers, export strategy and export performance. The reliability of the applied survey is satisfactory (Cronbach alpha=0,843). Nineteen exporting problems (EP) items were selected as barriers for the study. Respondents were asked to indicate how frequently each EP item was experienced during their exporting operations. The scale polarized from “never” having a problem(1) to “always” being a problem (5). Export strategy was developed with four items to capture the extent of existence of future goals and objectives, knowledge and resources to collect information and position itself in foreign markets, planned market entry strategy and strategy to expand product line. Respondents rated each item on a five -point scale (1 = extremely poor to 5 =extremely well) over the past year. Respondents evaluated firm’s performance on export sales, export profit, export sales growth. The export performance was also evaluated through new market entry to EU, CEFTA and Russia and neighbouring states (concluded free trade agreements) in order to indicate whether results were below or above expectations on a five -point scale (1 = extremely poor to 5 =extremely well) over the past year. All items fit well in confirmatory factor analysis, indicating good reliability and validity of the measure (Cronbach's Alpha 0.843). Measurement of export performance was based on perceived values and subjective evaluations of firm performance in export markets, rather than objective indicators since the majority of executives has been unwilling to respond effectively to questions regarding absolute export performance values (Katsikeas et al, 1995) [19].

3.4 Results

	Mean
Ineffective national export promotion programmes	4.27
Red tape in Serbian public institutions	4.00
Lack of government assistance in overcoming export barriers	3.98
Strong international competition	3.82
High transportation costs	3.37
High cost of capital to finance exports	3.33
Insufficient information about overseas markets	3.18
Inadequate promotion in export markets	3.18
Inability to self-finance exports	3.04
Complexity of export documentation requirements	3.04
Ineffective communication with overseas customers and language barriers	1.98
Poor product design and style for export markets	1.92
Poor quality in export packaging	1.90
Poor organization of firm’s export department	1.84

Table 1. Estimation of Export Barriers

The results from the Table 1 indicate that the exporters consider the ineffective national export promotion programmes (As=4.27), red tape in domestic public institutions (As=4.00), lack of government assistance in overcoming export barriers (As=3.98) and the existence of a strong international competition (As=3.82) Once again, the crucial role that the government can play in the development of successful export activities, this finding gives credibility to the importance of those studies focusing on the appraisal of public policy programmes for export promotion (e.g. Kotabe and Czinkota, 1992; Seringhaus, 1986; Seringhaus and Botschen, 1991). Ineffective national export promotion programmes may be the most important barrier to overcome in attempts to maintain regular business activities and, subsequently, succeed in export markets. On the other hand, the results suggest that the exporters consider their staff to be qualified for the exporting arrangements (As=2.00), to have effective communication with overseas customers with no language barriers (As=1.98), that product design and style for export markets is satisfactory (As=1.92), of proper quality in export packaging (As=1.90) and that the export department organisation is absolutely satisfactory (As=1.84).

	N	Mean
Company has set export goals for export operations	49	4.02
Company has in the last three years increased the number of export products	49	3.86
Company has identifies target countries as part of the export strategy	49	3.65
Comp has good resources and knowledge on gathering informa and promot on foreign markets	49	3.63

Table 2. Decscriptive analysis of Export Strategy

Generally speaking, as shown in Table 2 all export companies have clearly defined goals of its'export strategy (As=4.02), have increased the number of export products (As=3.86), followed by companies that have identified target export countries (As=3.65), good resources and knowledge for collecting information and presentation on foreign markets (As=3.63).

	N	Mean
Export Sale	49	3.55
Export Profitability	49	3.53
Export Sales Growth	49	3.43
Entry to EU market	49	3.14
Entry to CEFTA market	49	3.02
Entry to Russia, Belorussia and Kazahstan market	49	2.67

Table 3. Export Performance

Results from the Table 3 the companies are generally satisfied with the export sales (As=3.55) and profitability (As=3.53) but all as the export sales growth (As=3.43), entry to EU market EU (3,14) entry to CEFTA (As=3,02) and especially Russia, Belorussia and Kazakhstan (As=2,67) indicates substantial evidence of results that are far from satisfactory. having in mind the Free Trade Agreements with these countries in the light of the beneficial trade climate considered as a prerequisite for the entry on the competitive markets.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	2.147	.566		3.792	.000		
Company has set export goals for export operations	.037	.147	.047	.251	.803	.553	1.809
Company has good resources and knowledge on gathering information and promotion on foreign markets	.195	.135	.234	1.439	.157	.721	1.387
Company has identifies target countries as part of the export strategy	.164	.127	.226	1.286	.205	.619	1.615

a. Dependent Variable: Export Profitability

Table 4. Export Strategy and Export Profitability

Furthermore the study identified that the clearly defined goals of its'export strategy do not have direct or significant influence on export profitability. Hence, the evidence from Table 4, indicates that the exporters with a specific set of export goals do not have a higher profitability leading to higher export performance.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	1.504	.502		2.998	.004		
Company has set export goals for export operations	-.027	.130	-.034	-.205	.839	.553	1.809
Company has good resources and knowledge on gathering information and promotion on foreign markets	.072	.120	.086	.597	.554	.721	1.387
Company has identifies target countries as part of the export strategy	.282	.113	.390	2.494	.016	.619	1.615

a. Dependent Variable: Export Sales Growth

Table 5. Export Strategy and Export Sales Growth

Turning to the effects of export commitment variables, the study has revealed a strong positive relationship of companies that have identified target export countries with export performance (Table 5). This suggests that strategy with identified target export countries plays an important role of a significant predictor of Export Sales Growth (Beta=0.390 p=0.016) and the companies with the existent resources incorporating the transient opportunities in other export markets as the target countries, leading to higher export performance.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.685	.790		.867	.391	
	Company has set export goals for export operations	-.094	.205	-.080	-.457	.650	.553
	Company has good resources and knowledge on gathering information and promotion on foreign markets	.612	.189	.493	3.237	.002	.721
	Company has identifies target countries as part of the export strategy	.146	.178	.135	.820	.417	.619

a. Dependent Variable: EU entry

Table 6. Export Strategy and EU entry

The evidence provided in Table 6 here suggests that there is a direct relationship between exporters' good resources and knowledge for collecting information and presentation on foreign markets and export performance, as initially hypothesized. Firms possessing relatively high levels of knowledge about exporting operations are likely to enter and perform better on EU market (Beta=0.493 p=0.002) rather than exporters with less knowledge.

However, as the present finding may be attributable to our focus on companies already engaged in regular export activity, for further research it would be interesting to investigate this issue across different export development stages. Hence, the overall export marketing strategy may play a moderating role between the possession of competitive advantage and export performance, which in turn could explain the lack of significance in the relationships of export performance with clearly defined goals of export strategy.

4. Discussion

The obtained results confirm both research hypothesis and show that perceived export barriers as well as export strategy have a significant influence on export performance. The results indirectly and directly point out that the exporters consider the ineffective national export promotion programmes, red tape in domestic public institutions, lack of government assistance in overcoming export barriers and the existence of a strong international competition as the most important barriers to export. Once again, the crucial role that the government can play in the development of successful export activities, this finding gives credibility to the importance of those studies focusing on the appraisal of public policy programmes for export promotion (e.g. Kotabe and Czinkota, 1992; [25] Seringhaus, 1986; [44] Seringhaus and Botschen, 1991). [43] Ineffective national export promotion programmes may be the most important barrier to overcome in attempts to maintain regular business activities and, subsequently, succeed in export markets.

The results suggest that the exporters consider their staff to be qualified for the exporting arrangements with the export department organisation satisfactory delivering effective communication with overseas customers with no language barriers. The study reveals that product design, style and export packaging is satisfactory and of proper quality and it may be not be most important barrier to overcome. In the light of the influence of export strategy on export performance, the direct positive linkage of identified target countries with export performance is expected.

Turning to the effects of EU entry, the study has revealed a strong positive relationship of possess of good resources and knowledge for collecting information and presentation on foreign markets with export performance consistent with Johanson and Vahlne's (1990) [16] contention that export market knowledge generates business opportunities and consequently drives the internationalization process. Hence, the overall export marketing strategy may play a moderating role between the possession of competitive advantage and export performance, which in turn could explain the lack of significance in the relationships of export performance with declared export strategy, in contrast with initial expectations. Furthermore, the study direct linkage of export barriers with export performance has identified a need for structural change in the management of human resources as a prerequisite for the adoption of better organisation of firm's export department for entry to EU market.

The reluctance of top management to allocate adequate resources to specialized export tasks is a significant deterrent (Cavusgil and Naor, 1987). [3] The findings also indicate that top management should be further educated to find a satisfactory design of products and best practices of promotion/placement in order to be competitive on the Single Market.

5. Conclusions

This study has tried to explore the exporting operations and exporting problems of relatively small EU candidate country. Since the market reforms in 2000, along with the Stabilization and Association process launched by the European Union, Serbia has taken significant measures to expand trade with EU and improve the level of economic cooperation. Based on the importance attached in the exporting literature to internal and external factors as determinants of export behaviour, this study has defined a possible model of export performance. The model integrates export barriers and export strategy as independent variables. The relational connections of these variables with export performance have been examined. This identification of explanatory variables of firm performance in export markets can serve as valuable guidelines on the formulation and implementation of export marketing plans and export promotion national programmes having in mind also the structure of the export of the Republic of Serbia.

The implementation of research findings in relation to business practitioners and public policy makers can contribute to greater competitiveness of Serbian export to EU market entry. Serbian exporters, prior to EU integration, are highly dependent on its' trading activities with the other Union members. Particular attention may further be paid to the design and implementation of export marketing education and training programmes for exporters. The development of such a policy on general management education, that can be organized under the aegis of the EU, in the context of modernizing instruments and organs of trade promotion. Republic of Serbia trade policy as a state instrument remains limited because of insufficient government funds for promotion and investment in this sector. On the one hand, there are the specific rules to be followed regarding the WTO and EU accession.

The problems with the low competitiveness of the domestic products and with the weak linkage between the export activities and promoting economic growth of the country can only be solved by addressing the issues in the domestic policy. The change of export structure towards higher value added products are a precondition of growth in export competitiveness. Trade policy of Republic of Serbia has to be complemented by competitiveness policies and additional export promotion infrastructure towards the increase productivity across all sectors of the economy. Future research will lead to precise quantification of export barriers and creating model for their overcoming.

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